

ANNUAL
REPORT
2005



SASKATCHEWAN OPPORTUNITIES CORPORATION

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106-04436/

LETTER OF TRANSMITTAL

April 24, 2006

To Her Honour**The Honourable Lynda Haverstock****Lieutenant Governor of the Province of Saskatchewan**

Dear Madam:

I have the honour to submit the Annual Report of Saskatchewan Opportunities Corporation (SOCO) for the year ended December 31, 2005, including the financial statements duly certified in accordance with *The Saskatchewan Opportunities Corporation Act*.

Respectfully submitted,**Eric Cline, Q.C.***Minister Responsible for Saskatchewan Opportunities Corporation.*

MESSAGE FROM THE CHAIR

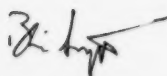
The past year marked the 25th anniversary of the first tenants locating in Saskatchewan research park facilities. That milestone provided the opportunity to reflect on the importance of SOCO's facilities in supporting economic development within Saskatchewan.

Decisions to proceed with a new multi-tenant facility at Innovation Place and the Provincial Health Laboratory at the Regina Research Park showed the confidence the Government of Saskatchewan has in the role of SOCO.

The corporation's financial stability has positioned it well to continue to contribute to the provincial economy. A provincial economic impact of more than a half a billion dollars is an impressive accomplishment. Developments planned for the future will see this impact continue to grow.

These achievements are the direct result of the expertise and hard work of the people at SOCO. They understand their clients and are committed to delivering the highest quality of service.

Partnerships have also been key to the success of SOCO. The universities, local business organizations, and especially clients have all helped SOCO build excellent facilities and a great reputation. We had a lot to celebrate in 2005 and great things to look forward to in 2006.



Blair Swystun

Chair of the Board

MESSAGE FROM THE PRESIDENT

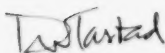
I have had the pleasure of serving Saskatchewan's research parks throughout their 25 years of operation. To participate in the growth of Innovation Place, the establishment of the Regina Research Park, and the construction of the Saskatchewan Forest Centre Building in Prince Albert has been an honour.

This important anniversary has caused me to reflect on all the people that have contributed to the success the parks have enjoyed during these 25 years. Ownership, as represented by all the members of the Legislature and particularly the Ministers responsible, has provided a consistently supportive environment. Members of the interim Board of Directors provided direction to me and my colleagues and have dedicated their substantial talent with no compensation. The two universities, as represented by their senior leadership, have also been strong advocates of the parks. The municipal governments in all three cities have been cooperative partners.

It is, however, the staff I have worked with that I remember and thank the most. The corporate values of innovation, excellence, and collaboration are not direction given to the staff. They are values that have been developed by the staff themselves, values that reflect the standards everyone sets for themselves and their own performance.

The evidence of the commitment of our staff is in the incredibly high level of client satisfaction. Close to 100% of clients are willing to recommend our facilities to their colleagues. This level of client approval is a result of the professionalism in every lease negotiation, the timely response to every building maintenance request, and the quality of every construction project.

Thanks to the relationships with ownership, clients, and staff, the past 25 years have been exciting and rewarding. However, at no time during these 25 years has the future appeared as bright as it does today. Saskatchewan's technology sector is creating high quality careers for the youth of our province at an ever increasing rate and our company has the good fortune to serve this process. The staff of SOCO are as confident of our future as we are proud of our past.



Douglas Tastad

President and CEO

CORPORATE GOVERNANCE

In 2005 the Crown Investments Corporation (CIC) Chairs Forum requested that Saskatchewan Crown corporations, as part of annual reports, commence using the Canadian Securities Administrators (CSA) corporate governance and disclosure guidelines to standardize the reporting and benchmarking of governance practices. The CSA guidelines have superseded the Toronto Stock Exchange guidelines previously used.

Summary

In accordance with the CSA disclosure rules, organizations must disclose the following information in all management information circulars, annual information forms, and annual management discussion and analysis filed after a company's fiscal year ending on or after the 30th of June, 2005.

Board Independence

Saskatchewan Opportunities Corporation (SOCO) currently has an interim Board of Directors, appointed following the adjustments to SOCO's corporate structure in March of 2002.

A Director is considered independent as long as he or she has "no direct or indirect material relationship with the company that could reasonably interfere with the exercise of a member's independent judgment." As the interim Board of Directors consists of two senior management representatives of CIC (the holding company for commercial Crown corporations within Saskatchewan) and one member representative of the holder of the assets of SOCO (the provincial department of Industry and Resources), the Directors are not considered independent. The Board has endeavoured to exercise independent judgment and has acted in all material respects as an independent Board, including holding in-camera meetings.

Management has proposed and the Board has recommended the appointment of a new Board of Directors. Indications are that the new Board will be appointed and operational in 2006.

Board Responsibilities

The interim Board of SOCO does not currently have a written mandate but complies with the direction given to it arising out of the Subsidiary Crown Corporation Policy Manual generated by CIC which broadly outlines the responsibility of the Board and the members of the Board. This

includes position descriptions for the Board Chair, Committee Chairs, and CEO as well as Board orientation and Director education.

The interim Board functions as the audit, compensation, and nominating committees. It is anticipated that the new Board, when appointed, will select all of these committees and any other appropriate to the governance of SOCO.

Director and Officer Compensation

The members of the interim Board of Directors receive no compensation from SOCO, aside from reimbursement for travel costs related to their duties associated with their Board activities.

The interim Board currently functions as the Compensation Committee; compensation for officers of the corporation is consistent with overall policy as set by CIC and executive government.

CIC is currently carrying out a review of executive compensation. That report is expected in mid-2006 and may affect compensation for senior management of SOCO.

Director Nominations

Upon appointment of the permanent Board of Directors, that Board will form a nominating committee, which will operate in accordance with the CIC Subsidiary Crown corporation's policy manual for the nomination of any other Directors.

Code of Ethics

The interim Board has not adopted a written code of ethics for directors, officers, and employees. However, one of the strategic goals of the corporation, as identified by management and as approved by the interim Board, is the development of a code of ethics for officers and employees in 2006.

STRATEGIC DIRECTION

The Government of Saskatchewan, as represented by the SOCO Board of Directors, has provided the management of SOCO with the direction necessary to guide corporate planning. This direction includes the corporate mission, the long-term vision for the company, the historic corporate values that supplement the CIC Crown sector values, and the broad goals in the four Balanced Scorecard categories.

Mission

To support the growth and success of the Saskatchewan technology sector through the development and operation of research parks.

SOCO's Mission affects the corporation's future in the following two key ways:

- Growth of the technology sector can only be achieved by SOCO through research and innovation policies that contribute to the growth of the research parks.
- To compete internationally, Saskatchewan companies and institutions need infrastructure equal in quality to their competitors, and an attractive work environment that supports their recruitment and marketing efforts.

Vision

Saskatchewan's research parks will be the best in the world.

To compete with a Vision of mediocrity in a world-wide market is to accept defeat in advance. Striving to be the best in the world affects every management and ownership decision.

Values

Excellence: *The pursuit of excellence in design, operations, and administration.*

Innovation: *Innovation in all our business activities.*

Collaboration: *Open and accountable in all our partnerships.*

Employees strive to be the best at development, management practices, and financial performance.

Innovation is expected of SOCO employees in all aspects of corporate activity.

All stakeholders and particularly clients are considered partners. SOCO's intention is to share information as openly as possible with our partners and to accept the responsibility that comes with that openness.

Goals

To support the Government's objectives, to meet the mission, and to reach SOCO's internal vision for the future, broad goals have been established in the four categories set by CIC's Balanced Scorecard process.

These goals will be converted by management into defined and measurable strategic objectives that will represent corporate standards of performance for all staff.

1. PUBLIC PURPOSE

Grow Saskatchewan's technology sector by contributing to the growth of the parks' clients, supporting the establishment of new technology companies, and attracting new science and technology activity to the province.

2. CUSTOMERS AND STAKEHOLDERS

Make it easy for all customers and stakeholders to successfully accomplish their objectives in an environment of fairness, transparency, and well being.

3. FINANCIAL

Maintain profitability at a level that supports the growth of our parks by prudently managing expenditures and enhancing revenues while providing superior value to our clients.

4. INNOVATION AND GROWTH

Through our efforts and by the example we set, enhance the performance of our industry, our environment, and the people we serve.

1. Public Purpose

Objective	Measure/Calculation	2005 Target	2005 Actual	2006 Target
Job Creation	1. Employment growth within the parks	120	245	96
	2. Total employment within the parks	2960	3245	3017
Maximize Economic Impact	3. Independent analysis of the economic impact of the research park tenants	\$475M	\$527M	\$556M
	4. Number of new tenants in the parks locating from outside the province	4	4	5
	5. Number of new start-up companies locating in the parks	5	8	7

2. Customers and Stakeholders

Objective	Measure/Calculation	2005 Target	2005 Actual	2006 Target
Client Satisfaction	6. Percentage of CEOs that would recommend the parks to colleagues	99%	98.4%	98%
Employee Satisfaction	7. Percentage of positive responses to a range of employee satisfaction questions put to SOCO staff	90%	83%	92%

3. Financial

Objective	Measure/Calculation	2005 Target	2005 Actual	2006 Target
Return on Investment	8. Cash return as a % of Cost of Assets	3.3	3.1%	2.9%
Debt to Equity	9. Debt as compared to Equity	0	0	1.8:1
Operating Efficiency	10. Corporate Administration as a % of Revenue	15.3%	15.6%	18.4%
Vacancy	11. Vacancy as a % of total space inventory	5.59%	6.12%	3.2%

4. Innovation and Growth

Objective	Measure/Calculation	2005 Target	2005 Actual	2006 Target
Reduce Non-Renewable Energy Consumption	12. Energy per square foot of buildings within the parks	210 MJ/sf	206 MJ/sf	2% less
Sufficient Inventory for Demand	13. Available inventory to meet identified demand	50%	52.7%	60%
A Diverse Workforce	14. Percentage of aboriginal employees	7%	6%	8%
	15. Percentage of women employees	46%	43%	46%
	16. Percentage of employees with a disability	5%	4%	5%
	17. Percentage of employees who are a visible minority	3.6%	4%	5%

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The following management discussion and analysis for SOCO should be read in conjunction with the audited financial statements and notes to those statements for the year ended December 31, 2005. What follows will provide the context within which the corporation's financial statements should be analyzed.

Forward Looking Information

This discussion includes forward-looking statements about SOCO's corporate direction and financial objectives. Due to the risks and uncertainties inherent in any forecast, the actual results could differ materially from those anticipated.

Corporate Overview

SOCO is a Saskatchewan Crown corporation with a direct reporting relationship to the provincial government through CIC. The corporate mission is to support the growth and success of Saskatchewan's technology sector. SOCO fulfills this mission through the development and operations of research parks on the campuses of the province's two universities in Saskatoon and Regina as well as a forest sector building in downtown Prince Albert.

Core Business

SOCO designs and constructs specialized buildings primarily for technology companies. Revenue is generated from leasing space in these buildings to a wide range of tenants that support each other's success. A typical lease arrangement would include a five-year term with fixed revenue, adjusted annually for any increase in operating costs. Typical vacancy within buildings is approximately 5%.

Major categories of operating costs include utilities, grants-in-lieu of taxes, building and grounds maintenance, and corporate administration. For the most part both revenue and expenses are not subject to rapid change. Profitability is tightly linked to local real estate market conditions. The greatest opportunity for increased revenue is from the development of new buildings.

SOCO provides its clients with a superior working environment that contributes directly to their success. A diverse mix of research and service tenants, a dynamic social atmosphere, and high quality facilities work together to create a community that encourages interaction and collaboration.

The quality of the environment is not only intended to enhance operating productivity and tenant innovation but to assist tenants in employee recruitment and corporate marketing.

Innovation Place Bio Processing Centre

SOCO operates this fee-for-service processing centre in Saskatoon. It extracts active compounds from plant material, primarily for cosmetic and specialized food purposes. Approximately 20 Saskatchewan companies have used the centre for their processing requirements as have a similar number from outside the province.

Keys To Success

The key measurement of success in meeting the mission for the corporation is the growth in number of employees working within the parks. Particular attention is paid to the growth of existing tenants, start-up companies and companies locating in the parks from outside the province. Growth of employees in the parks is directly linked to the construction of new buildings to accommodate that growth.

The primary leading indicator for growth is the level of identified demand relative to available space. The key indicator for demand is client satisfaction as most of past growth has come from either existing tenants or referrals from existing tenants.

Financial success is primarily measured by cash return on assets. Due to the fixed nature of most operating costs and the fact that revenue comes from medium-term contracts within a narrow variation in rental rates, the key internal signals for future success in cash flow are vacancy levels and corporate administrative costs as a percentage of revenue. The key external impacts on future financial success are local market conditions in rental rates and construction costs.

The Bio Processing Centre has fundamentally different financial dynamics as contracts are measured in terms of days and the industry is subject to substantial fluctuations based on changing markets for the processed products. Fluctuations are made even more dramatic due to the relatively early stage of business maturity typical of most centre clients. Financial

performance is affected by the utilization rate of the centre. The main policy objective of the centre is support for the Saskatchewan bio-products industry.

Capability To Deliver Success

Over the past year, SOCO has increased its capability in the areas of project delivery and human resource management. A new process to evaluate and determine the priority of capital projects was established. A capital financing policy was adopted that links the pace of growth directly to financial performance ensuring future growth will not alter the financial stability of the company.

The Bio Processing Centre continued to improve its Quality Assurance procedures. Marketing must be improved to increase utilization of the facility.

Results

The key category of growth showed an increase of 245 employees in SOCO facilities during 2005, more than double the target for the year. This stronger than expected growth resulted from a combination of the continued growth of existing tenants, four new tenants attracted from outside Saskatchewan, and the location of eight start-up companies within the parks.

To facilitate continued growth, a \$25 million building project was approved for Innovation Place. This building will accommodate up to 500 employees when fully occupied.

Client satisfaction was at its traditional level of close to 99%. Identified demand for space was over 300,000 square feet or twice the space either vacant or under development.

Return on investment was slightly lower in 2005 than in 2004 due to poorer results in the Bio Processing Centre and increased corporate administration costs. The Bio Processing Centre's revenue decreased \$460 thousand resulting in a decrease in net income of \$425 thousand. The Bio Processing Centre still operated above break-even.

Administrative expenses increased due to additional staffing to address substantial growth planned for the future.

Real estate revenues and expenses both increased due to the opening of the Saskatchewan Forest Centre Building in Prince Albert. Overall earnings from real estate activities remained approximately the same.

Outlook

Demand for space in SOCO's facilities is at historically high levels. Only approximately half of this demand can be met by existing vacant space and projects under construction. In response to this demand, SOCO has developed a capital plan for the next five years that represents a potential investment of as much as \$100 million. This level of investment would accommodate approximately 2,000 additional employees.

In addition to this projected development, Saskatchewan Health is constructing a new provincial health laboratory within the Regina Research Park. This major new facility will ensure Saskatchewan's health analytical capability is able to respond to future health issues.

To ensure this growth can be managed efficiently administrative costs will increase as a function of revenue during 2006 to approximately 19%. Although this percentage is at the upper end of industry average, it will begin to decrease as revenue from new projects are realized.

Cash flow from operations will show modest but regular increases over the next five years. Net income will show modest declines as amortization expense will increase at a faster rate than operating income due to the major capital expenditures.

The greatest potential for improvement in earnings is from the Bio Processing Centre. While real estate revenue is stable and seldom subject to dramatic changes, processing revenue can change quickly due to market conditions. The capacity of the Bio Processing Centre substantially exceeds projected sales levels. Efforts will be made to expand the base of clients, both within Saskatchewan and beyond.

Risk

Projected new construction will result in increased risk. There are two elements of new construction that are largely outside of the control of management: construction costs and interest rates. If construction costs continue to rise at recent rates without a corresponding increase in market rental rates, the extent of the capital plan for the next five years will be put at

risk. The same is true for interest rates. The capital plan anticipates approximately 70% of the capital invested in new projects will be financed by interest-bearing debt.

If components of cost and revenue remain constant and existing levels of demand fluctuate substantially, the assumptions in the capital plan will be re-evaluated. It is possible that demand could unexpectedly increase or decrease due to conditions not apparent at this time.

While these factors could substantially affect anticipated growth, the nature of our longer-term lease contracts and the diversity of clients lower the risk of any dramatic impact on financial return from existing buildings. New building projects must be supported by a reasonable level of lease commitments prior to the project commencement to mitigate the risk of rapid changes in demand during the construction period.

The risk associated with the Bio Processing Centre is substantially different. Major capital investment in the facility is not anticipated at this time. The business-as-usual approach, anticipated for the foreseeable future, is only subject to the risk of a reduction in demand for processing. A continued effort to increase the number and diversity of clients will manage this risk.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Saskatchewan Opportunities Corporation have been prepared by corporate management in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on informed judgment and management estimates. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

The corporation's independent auditors, KPMG LLP, have examined the financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the auditor's report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal controls, policies, and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals and result in reliable financial statements.

The interim Board of Directors has reviewed and approved these financial statements. The entire interim Board acts as an audit and finance committee and meets periodically with management. The interim Board met with the auditors and management to discuss internal accounting controls, audit results, and accounting principles and practices.

On behalf of management,



Douglas Tastad

President & Chief Executive Officer



Charlene Callander

Vice President, Planning & Financial Reporting

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Opportunities Corporation as at December 31, 2005, and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Saskatchewan
March 9, 2006

FINANCIAL REPORT

Statement of Financial Position

AS AT DECEMBER 31

ASSETS

Cash
Accounts Receivable and Prepaid Expenses
Property, Plant, and Equipment (Notes 2 and 4)

LIABILITIES AND EQUITY

Accounts Payable and Accrued Liabilities
Deferred Revenue
Due to General Revenue Fund (Note 2)

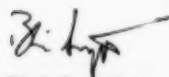
Province of Saskatchewan's Equity
Retained Earnings

	2005 (000s)	2004 (000s)
\$	1,196	\$ 3,071
	4,863	3,361
	7,689	6,303
\$	13,748	\$ 12,735
\$	4,280	\$ 4,029
	554	613
	-	4,673
	4,834	9,315
	8,914	3,420
\$	13,748	\$ 12,735

(Commitments and Contingencies - Note 8)

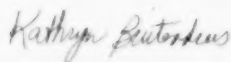
(See Accompanying Notes)

On behalf of the Board



Blair Swystun

Director



Kathryn Bultenhuis

Director

Statement of Operations and Retained Earnings

FOR THE YEAR ENDED DECEMBER 31

	2005 (000s)	2004 (000s)
REVENUE		
Rental and Development Income	\$ 22,028	\$ 21,537
Operating Contribution - General Revenue Fund	-	1,803
	<u>22,028</u>	<u>23,340</u>
EXPENSES		
Operating and Administration	3,429	2,750
Interest	-	1,867
Rental and Development	12,767	11,412
Amortization	338	1,247
	<u>16,534</u>	<u>17,276</u>
Net Income	<u>5,494</u>	<u>6,064</u>
Retained Earnings (Deficit), Beginning of Year	- 3,420	(2,644)
Retained Earnings, End of Year	<u>\$ 8,914</u>	<u>\$ 3,420</u>

(See Accompanying Notes)

Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31

	2005 (000s)	2004 (000s)
OPERATING ACTIVITIES		
Net Income	\$ 5,494	\$ 6,064
Add non-cash item:		
Amortization	338	1,247
Change in non-cash operating items:		
Increase in Accounts Receivable and Prepaid Expenses	(1,502)	(623)
Increase in Accounts Payable and Accrued Liabilities	1,187	1,634
Decrease in Deferred Revenue	(59)	(187)
Cash Provided by Operating Activities	<u>5,458</u>	<u>8,135</u>
INVESTING ACTIVITIES		
(Decrease) Increase in Accounts Payable for Capital	(936)	374
Investment in Property, Plant, and Equipment	<u>(6,397)</u>	<u>(8,860)</u>
Cash Used in Investing Activities	<u>(7,333)</u>	<u>(8,486)</u>
FINANCING ACTIVITIES		
Issuance of Notes Payable	-	1,168
Repayment of Long-Term Debt	<u>-</u>	<u>(387)</u>
Cash Provided by Financing Activities	<u>-</u>	<u>781</u>
(Decrease) Increase in Cash Position for the Year	(1,875)	430
Cash, Beginning of Year	<u>3,071</u>	<u>2,641</u>
Cash, End of Year	<u>\$ 1,196</u>	<u>\$ 3,071</u>
Supplementary Information:		
Interest Paid on Notes Payable and Long-Term Debt	\$ -	\$ 763

(See Accompanying Notes)

Notes to Financial Statements

DECEMBER 31, 2005

1. STATUS OF CORPORATION

Saskatchewan Opportunities Corporation (the "Corporation") was incorporated under *The Saskatchewan Opportunities Corporation Act*, which was proclaimed and came into force on August 15, 1994. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is subject to neither federal nor provincial income tax. The financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan (CIC).

The Corporation's mandate is to create, encourage, and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of research and development parks.

2. TRANSFER OF ASSETS

On April 1, 2004 the Corporation transferred rental assets, consisting of Innovation Place in Saskatoon, Regina Research Park, and the Saskatchewan Forest Centre Building being constructed in Prince Albert, to the General Revenue Fund (GRF) in exchange for the GRF forgiving all outstanding notes payable and long-term debt of the corporation.

At the time of the initial transfer, there was a \$4,673,000 difference between the liabilities forgiven by the GRF and the assets transferred to the GRF, which was recorded as a liability at December 31, 2004. This liability was settled on March 31, 2005, by way of a transfer of the additional costs incurred by the corporation to complete the Saskatchewan Forest Centre Building.

On March 2, 2005, the Corporation signed an agreement with the Department of Industry and Resources to lease the rental assets transferred to the GRF for \$1 per year, effective April 1, 2004. Under the terms of this agreement the corporation has been assigned all rental income generated and is responsible for all costs associated with their operation.

3. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered to be significant:

Notes to Financial Statements

DECEMBER 31, 2005

a) Property, Plant, and Equipment

Property, plant, and equipment are recorded at the lower of cost, net of accumulated amortization, and net recoverable amount. The cost of property, plant, and equipment includes direct development costs and interest capitalized during construction. Rental assets consist of buildings at Innovation Place in Saskatoon, at Regina Research Park, and the Saskatchewan Forest Centre Building in Prince Albert, as well as related site improvement costs, tenant improvements, and equipment purchased subsequent to April 1, 2004. Office equipment and furniture are assets used by the Corporation for its own use.

Buildings and site improvement costs, net of estimated residual value, are amortized on a straight-line basis over the estimated useful life of the particular asset (15 to 40 years). Tenant improvements are amortized on a straight-line basis over the term of the associated lease (5 to 10 years). Equipment and furniture are amortized on a straight-line basis over three to five years.

Construction in progress consists of buildings and tenant improvements currently under development.

b) Operating Contribution

Operating Contributions were provided by the GRF prior to April 1, 2004, in recognition of the Corporation's economic development mandate.

c) Revenue Recognition

All revenue is recognized based on the Corporation's right to revenue pursuant to contracts with customers, tenants, and clients using the accrual basis of accounting.

Amounts received in advance of contract terms are recorded as deferred revenue.

d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

Notes to Financial Statements

DECEMBER 31, 2005

4. PROPERTY, PLANT, AND EQUIPMENT

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
	(000s)	(000s)	(000s)	(000s)
Rental Assets	\$ 2,016	\$ 193	\$ 1,823	\$ 756
Office Equipment and Furniture	2,504	1,875	629	237
Construction in Progress	5,237	-	5,237	5,310
	<u>\$ 9,757</u>	<u>\$ 2,068</u>	<u>\$ 7,689</u>	<u>\$ 6,303</u>

5. FAIR VALUES

The fair value of financial assets and liabilities approximates carrying value due to their immediate or short-term nature.

6. PENSION PLAN

All employees are members of the Capital Pension Plan, a defined contribution plan administered by CIC. The Corporation's financial obligation is limited to making regular contributions in proportion to employees' earnings. These contributions are charged to income when made. Pension expense for the year was \$270,000 (2004 - \$222,000).

7. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan. Non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan are also considered related parties.

Routine operating transactions with related parties are settled at agreed upon amounts under normal trade terms. These transactions and amounts outstanding at year end are as follows:

	2005 (000s)	2004 (000s)
Accounts Receivable and Prepaid Expenses	\$ 1,345	\$ 884
Accounts Payable and Accrued Liabilities	182	164
Deferred Revenue	340	351
Rental and Development Income	7,126	7,975
Operating Expense	2,391	3,953

Notes to Financial Statements

DECEMBER 31, 2005

The Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

8. COMMITMENTS AND CONTINGENCIES

The estimated cost to complete projects under construction is approximately \$22,581,000 (2004 - \$1,145,000).

The Corporation holds long-term land leases with both the University of Saskatchewan and the University of Regina for research park development. The actual lease payments are nominal.

The Corporation continues its discussion with the City of Saskatoon regarding electrical consumption for one building at Innovation Place that was not appropriately metered for the period of 1987 to 2002. The Corporation has accrued an amount which is considered to be a reasonable estimate based on the current facts. The Corporation will account for any difference in the settlement amount in the period in which the issue is resolved.

The Corporation is also the defendant in other legal suits and disputes that have arisen in the normal course of business. The Corporation does not believe that the ultimate resolution of these matters will result in any material liability.

CORPORATE INFORMATION

INTERIM BOARD OF DIRECTORS

Blair Swystun, Chair
Vice President & Chief Financial Officer
Crown Investments Corporation
Regina, SK

Kathryn Bultenhuis
Executive Director, Innovation & Research
Crown Investments Corporation
Regina, SK

Glen Veikle
Associate Deputy Minister
Saskatchewan Industry and Resources
Regina, SK

CORPORATE OFFICERS

Douglas Tastad
President & Chief Executive Officer

Ken Loeppky
Vice President, Research Park Operations

Charlene Callander
Vice President, Planning & Financial Reporting

Glenda Bruce
Vice President & Chief Financial Officer

SENIOR MANAGEMENT

Pennie Bainbridge
Executive Assistant to the President

Austin Beggs
Director, Corporate Relations

Gord Joorisity
Executive Director, Project Management

Brent Sukenik
Executive Director, Financial Reporting

Sherry Timmerman
Director, Human Resources

Rob Trimble
Director, Client Services

Lorne Vinish
Executive Director, Finance & Business Services

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